

**PUBLIC DISCLOSURE**

**JULY 21, 2014**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**RIVER WORKS CREDIT UNION  
66346**

**947 WESTERN AVENUE  
LYNN, MA 01905**

**Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, MA 02118**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **RIVER WORKS CREDIT UNION (River Works or the Credit Union)**, prepared by the Division, the institution's supervisory agency as of **July 21, 2014**. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00 et seq.

**INSTITUTION'S CRA RATING:** This institution is rated: **"Satisfactory."**

Based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$300 million, adjusted annually, River Works Credit Union's overall CRA performance is considered Satisfactory. The rating of this institution is established upon a review of the Performance Criteria, as shown below.

- The loan-to-share (LTS) ratio is reasonable given the institution's size, financial condition, secondary market activity, and assessment area credit needs. The Credit Union's average net LTS ratio over the past eight quarters was 78.3 percent.
- A majority of the Credit Union's home mortgage and used automobile loans were originated inside the institution's assessment area. During 2012 and 2013, 62.9 percent of all home mortgage loans and sample of used automobile loans were originated inside the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income).
- Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- River Works Credit Union did not receive any CRA-related complaints during the evaluation period.

## **SCOPE OF THE EXAMINATION**

Small Institution evaluation procedures were used to assess the Credit Union's CRA performance. These procedures evaluated the Credit Union's CRA performance pursuant to the following criteria: loan-to-share (LTS) ratio, assessment area concentration, the borrower's profile, the geographic distribution of loans, and the response to CRA complaints. The CRA evaluation considered activity since the Credit Union's prior CRA evaluation on June 9, 2008.

This evaluation focused on home mortgage and consumer lending activity from January 1, 2012 to December 31, 2013. The Credit Union's most recent National Credit Union Administration (NCUA) 5300 Call Report as of March 31, 2014, shows 82.0 percent of the Credit Union's loan portfolio is comprised of real estate loans, followed by used vehicle loans at 14.7 percent.

Home mortgage lending data was analyzed from January 1, 2012 through December 31, 2013. Information related to residential mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Credit Union, pursuant to the Home Mortgage Disclosure Act (HMDA). The LAR contains data about home purchase and home improvement loans, including refinancing, of one- to four-family and multifamily properties. The evaluation presents the Credit Union's home mortgage lending in 2012 and 2013. The Credit Union's home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the Credit Union's designated assessment area. River Works reported 115 loans on its 2012 LAR and 148 loans on its 2013 LAR.

While the Lending Test discusses the total dollar amount of loans, conclusions were primarily based on the Credit Union's lending performance by the number of loans originated or purchased. Extremely large or small dollar loans could skew conclusions.

Consumer lending data was also analyzed. Specifically, the examination focused on used vehicle loans. The Credit Union's used vehicle loan data was derived from a sample of loans originated from January 1, 2012 through December 31, 2013. A sample of 20 loans was selected from each year, and was compared to demographic data from the 2010 U.S. Census. Financial data was derived from the March 31, 2014 NCUA Call Report.

## **PERFORMANCE CONTEXT**

### **Description of the Institution**

River Works Credit Union was chartered by the Commonwealth of Massachusetts in 1936. The Credit Union was established as an industrial credit union to serve the employees and their affiliates of General Electric (GE) River Works plant in Lynn, Massachusetts. In February 2002, it became a community credit union and opened up membership to residents in Essex County, Middlesex County, and Suffolk County. Membership is open to anyone living or working in the aforementioned counties, as well as any past and present employees of the General Electric Company. Delta-Wye Federal Credit Union merged with and into River Works Credit Union in September of 2013. The last CRA evaluation reviewed River Works as a community credit union for the first time.

River Works Credit Union received a “low-income credit union” designation from the NCUA and Division on November 6, 2012. This designation allows the Credit Union to accept nonmember deposits from any source and be exempt from the 12.25 percent statutory cap on member business loans. As of March 31, 2014, the Credit Union had 6,796 members.

The Credit Union’s main office is located at 947 Western Avenue in Lynn. This office is located in a moderate-income Census tract. The Credit Union also operates a branch location at Delta-Wye Federal Credit Union’s former branch location in Dorchester. This branch is located in a middle-income Census tract. The main office is open from 8:00am to 4:00pm, Monday, Tuesday, Wednesday, and Friday; from 8:00am to 6:00pm on Thursday; and from 9:00am to 12:00pm on Saturdays. The location in Dorchester is open Monday to Friday from 8:30am to 4:30pm. The Dorchester location is not open to the public, and only accessible to members of the Union Hall in which it is located.

The Credit Union also has additional ATMs located at the GE plant in Lynn, as well as the Clock Tower Business Center in Lynn.

The Credit Union offers savings and checking accounts, as well as a debit card offering free point of sale usage and ATM usage through the SUM network. The Credit Union also offers a variety of online banking services including mobile banking, online bill pay, and e-statements. From the lending perspective, the Credit Union offers real estate loans, direct and indirect auto loans (new and used), consumer loans, and MASS Heat loans.

The Credit Union was rated “Satisfactory” by the Division during its previous evaluation conducted as of June 9, 2008.

As of March 31, 2014, the Credit Union had assets of approximately \$100.5 million and total shares and deposits of \$83.3 million. Total loans were \$71,542,213 and represented 71.2 percent of total assets. Since the last CRA evaluation, the Credit Union’s assets have increased 51.6 percent, total shares and deposits increased 62.9 percent, and net loans increased 39.9 percent.

<b>Table 1</b> <b>Loan Portfolio Distribution as of March 31, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount \$('000s)</b>	<b>Percent of Total Loans (%)</b>
Total 1st Mortgage Real Estate Loans/Lines of Credit	47,330	66.2
Total Other Real Estate Loans/Lines of Credit	11,316	15.8
Used Vehicle Loans	10,491	14.7
All Other Unsecured Loans/Lines of Credit	1,468	2.0
New Vehicle Loans	865	1.2
Total All Other Loans/Lines of Credit	71	0.1
<b>Total</b>	<b>71,542*</b>	<b>100.0</b>

*Source: March 31, 2014 Call Report; \*difference due to rounding*

As reflected in Table 1, the Credit Union is primarily a real estate lender. Total first mortgage real estate loans/lines of credit and total other real estate loans/lines of credit account for 82.0 percent of the loan portfolio. Used vehicle loans account for the second largest portion of the loan portfolio at 14.7 percent. The Credit Union's loan composition has shifted since the last public evaluation when used car loans and real estate loans comprised 39.0 percent and 35.2 percent of the loan portfolio, respectively.

There are no apparent financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its assessment area.

### **Description of Assessment Area**

The CRA requires that a financial institution define an assessment area, or areas within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated. The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the Credit Union has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Credit Union originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

The Credit Union's assessment area for this evaluation includes the following 28 cities and towns: Arlington, Belmont, Beverly, Burlington, Cambridge, Chelsea, Danvers, Everett, Lynn, Lynnfield, Malden, Marblehead, Medford, Melrose, Middleton, Nahant, Peabody, Reading, Revere, Salem, Saugus, Somerville, Stoneham, Swampscott, Wakefield, Watertown, Wilmington, and Woburn. The Credit Union's assessment area is comprised of 224 contiguous census tracts located in Essex, Middlesex, and Suffolk counties in Massachusetts. The assessment area contains 23 low-income census tracts, 68 moderate-income tracts, 92 middle-income tracts, and 40 upper-income tracts. One census tract is listed as N/A. These municipalities are part of the Boston-Quincy MD #14484 (Suffolk County), Cambridge-Newton MD #15764 (Middlesex County), and Peabody MD #37764 (Essex County).

The Credit Union expanded its assessment area since the previous examination. The Credit Union added the following 10 municipalities to its assessment area for the purposes of this evaluation: Arlington, Belmont, Cambridge, Chelsea, Medford, Nahant, Reading, Somerville, Watertown, and Wilmington.

To assess the Credit Union's lending performance within this evaluation, consideration is given to certain demographic data about the assessment area. Table 2 highlights some of the relevant demographic data.

<b>Table 2 Assessment Area Demographic Information</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (Census Tracts)	224	10.3	30.4	41.1	17.8	0.4
Population by Geography	1,040,799	8.8	29.6	44.4	17.2	0.0
Owner-Occupied Housing by Geography	230,911	3.8	22.7	50.9	22.6	0.0
Distribution of Families by Income Level	246,549	19.8	17.5	23.8	38.9	0.0
<b>Median Family Income (MFI)</b>		\$83,975	<b>Median Housing Value</b>		\$423,475	
<b>MD# 14484 FFIEC Updated MFI 2012</b>		\$88,000	<b>Unemployment Rate</b>		6.9%	
<b>MD# 15764 FFIEC Updated MFI 2012</b>		\$106,400				
<b>MD# 37764 FFIEC Updated MFI 2012</b>		\$87,300	<b>Families Below Poverty Level</b>		7.2%	
<b>MD# 14484 FFIEC Updated MFI 2013</b>		\$88,000				
<b>MD# 15764 FFIEC Updated MFI 2013</b>		\$101,100				
<b>MD# 37764 FFIEC Updated MFI 2013</b>		\$83,500				

*Source: 2010 U.S. Census Data; 2012&2013 FFIEC Data*

### ***Median Family Income Levels***

According to the 2010 Census data the assessment area contains 246,549 total families. Together, middle- and upper-income families make up nearly 63.0 percent of all families within the assessment area.

The *Geographic Distribution* section of the Lending Test assesses the distribution of loans by census tract income level, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent, but less than 80 percent of MFI

Middle-Income: At least 80 percent, but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

### ***Housing Characteristics***

Housing units within the assessment area totaled 440,362, of which 230,911 or 52.4 percent were owner-occupied, and 182,406 were rental occupied while 27,045 or 6.1 percent are vacant. Of the owner-occupied units within the assessment area, 3.8 percent are in low-income tracts, 22.7 are in moderate-income tracts, 50.9 are in middle-income tracts, and 22.6 are in upper-income tracts. The median housing value in the assessment area was \$423,475 which may create an affordability gap for low and moderate income (LMI) families. LMI families make up approximately 37 percent of families within the assessment area.

### ***Competition***

The Credit Union faces significant competition within the assessment area. In 2012, there were 64,954 HMDA-reportable loans originated or purchased by home mortgage lenders within the assessment area, which include large regional and national banks as well as mortgage companies. Within the assessment area, River Works Credit Union ranked 118<sup>th</sup> with 0.1 percent market share.

### ***Unemployment Data***

The unemployment rate for the assessment area was 6.9 percent. As of June 2014 the unemployment rate for Middlesex, Essex, and Suffolk Counties was 4.6, 5.9, and 6.0 percent, respectively. The unemployment rate for Massachusetts was 5.5 percent according to the Bureau of Labor Statistics.

### ***Community Contact***

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available.

The organization stated that the greatest credit need in the area was more involvement by institutions in LMI areas, specifically in neighborhoods with large immigrant populations. The contact noted that potential entrepreneurs have trouble qualifying for traditional credit due to a lack of financial literacy and business literacy.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

This evaluation considered the institution's performance pursuant to the following criteria: LTS Ratio, Assessment Area Concentration, Borrower Characteristics, Geographic Distribution, and Response to CRA Complaints. Overall, the Credit Union's performance is "Satisfactory."

### **Loan-to-Share Analysis**

This performance criterion evaluates the proportion of the Credit Union's share base reinvested in the forms of loans. The analysis was performed using NCUA's quarterly call report data for the period ending June 30, 2012 through March 31, 2014. The analysis was conducted to determine the extent of Credit Union lending compared to deposits received from its customers.

River Works Credit Union's average net LTS ratio for the time period was calculated at 78.3 percent and is considered reasonable given the Credit Union's size, financial condition, and the assessment area credit needs. Over the past eight quarters, the net LTS ratio was at a low of 73.0 percent in March 31, 2013, and at a high of 85.5 percent in March 31, 2014. Management attributed the steady increase in the net LTS ratio to the Credit Union's efforts to expand lending across all areas, including consumer, direct/indirect auto, and mortgage lending. The Credit Union's average net LTS ratio was compared to the average net LTS ratios of two other locally-based, similarly situated depository institutions. The Credit Union's net LTS ratio was comparable to these institutions, as shown in the Table 3 below. It should be noted that as a "low-income" credit union, River Works also has non-member deposits. For the purposes of this performance criterion total shares and deposits were used to evaluate the net LTS ratio.

<b>Table 3</b>		
<b>Net Loan-to-Deposit Comparison</b>		
<b>Credit Union Name</b>	<b>Total Assets \$(‘000) as of 03/31/2014</b>	<b>Average Net LTS Ratio 06/30/2012 – 03/31/2014</b>
River Works Credit Union	100,506	78.3%
St. Jean's Credit Union	154,031	66.7%
Community Credit Union	128,330	100.6%

### **Assessment Area Concentration**

This performance criterion evaluates whether the Credit Union is meeting the credit needs within its assessment area. The analysis includes both home mortgage loans and consumer loans in the form of used auto loans. As shown in the table below, although the Credit Union originated a majority (62.9 percent) of all home mortgage loans and consumer loans inside the assessment area, the majority of the sample of used auto loans for 2012 was outside the assessment area.

Table 4										
Distribution of Loans Inside and Outside of Assessment Area										
Loan Type	Number Loans					Dollar Volume ('000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	\$	%	\$	
2012 HMDA										
Home Purchase	11	64.7	6	35.3	17	2,286	67.3	1,110	32.7	3,396
Refinance	53	71.6	21	28.4	74	9,096	60.3	5,998	39.7	15,084
2012 Total	64	70.3	27	29.7	91	11,382	61.6	7,098	38.4	18,480
2013 HMDA										
Home Purchase	28	52.8	25	47.2	53	7,057	50.1	7,037	49.9	14,094
Refinance	41	64.1	23	35.9	64	6,911	51.0	6,638	49.0	13,549
2013 Total	69	59.0	48	41.0	117	13,968	50.5	13,675	49.5	27,643
2012 USED AUTO	9	45.0	11	55.0	20	153	52.2	140	47.8	293
2013 USED AUTO	14	70.0	6	30.0	20	124	63.6	71	36.4	195
Grand Total	156	62.9	92	37.1	248	25,627	55.0	20,984	45.0	46,611

*Source: 2012 & 2013 HMDA data; Credit Union consumer loan sample*

In 2012, the Credit Union originated 70.3 percent of home mortgage loans in the assessment area by number and 61.6 percent by dollar volume. In 2013, the Credit Union originated 59.0 percent of home mortgage loans inside the assessment area by number and 50.5 percent by dollar volume. For the entire evaluation period, the Credit Union originated 63.9 percent of home mortgage loans by number and 55.0 percent by dollar volume inside the assessment area.

In 2012, the Credit Union originated 45.0 percent of used auto loans inside its assessment area by number and 52.2 percent by dollar volume. In 2013, the Credit Union originated 70.0 percent of used auto loans inside the assessment area by number and 63.6 percent by dollar volume.

Management stated the marked increase in home purchase loans from 2012 to 2013 was driven by a strengthened regional economy, with investors looking to purchase homes and turn them into rental properties. With regards to the slight drop in refinances, management noted that fluctuations in River Works Credit Union's originations mimic nationwide trends where most borrowers who wanted to refinance would have already done so before 2013.

### **Borrower Characteristics**

The distribution of loans by borrower income was reviewed to determine the extent to which the Credit Union is addressing the credit needs of the area's residents, particularly those of low- or moderate-income. Residential mortgage loan conclusions are based primarily on the Credit Union's performance of lending to low- and moderate-income borrowers relative to aggregate lending data and compared to assessment area demographics. The consumer loan conclusions are based primarily on the Credit Union's lending activity to low- and moderate-income borrowers as compared to demographics of the assessment area.

The distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among retail customers of different income levels (including low- and moderate-income individuals).

### Home Mortgage

Table 5 Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	Family Distribution by Income Level	2012 Aggregate Lending Data	2012 Credit Union		2013 Aggregate Lending Data	2013 Credit Union	
		% of #	#	%	% of #	#	%
Low	19.8	5.7	8	12.5	5.6	3	4.4
Moderate	17.5	19.2	21	32.8	18.3	16	23.2
Middle	23.8	27.1	15	23.4	26.4	12	17.4
Upper	38.9	35.7	20	31.3	40.0	33	47.8
Income NA	0.0	12.3	0.0	0.0	11.7	5	7.2
Total	100.0	100.0	64	100.0	100.0	69	100.0

*Source: 2010 U.S. Census Data; 2012 & 2013 HMDA data*

The Credit Union's 2012 and 2013 performance is compared with the aggregate lending trends and demographics in the Credit Union's aforementioned assessment area. As can be seen in Table 5, lending from 2012 to 2013 increased slightly; however lending to low- and moderate-income borrowers decreased as a percentage of total lending. In 2012, the Credit Union made 12.5 percent of its HMDA loans to borrowers designated as low-income. This figure was more than two times the aggregate benchmark of 5.7 percent. The Credit Union decreased the proportion of loans originated to low-income borrowers in 2013 to 4.4 percent, falling below aggregate lending for this period.

The Credit Union originated 32.8 percent of its HMDA loans to borrowers designated as moderate-income in 2012. This figure exceeds aggregate lending at 19.2 percent. Although lending to moderate-income borrowers decreased in 2013, the percentage continued to be above aggregate lending. It should be noted, due to the low lending volume relatively small changes in originations had a significantly impact on the percentages of lending.

### Consumer Loans

Borrower income for consumer loans was compared to the median family income (MFI) for the three Metropolitan Districts (MDs) that comprise the Credit Union's assessment area. The FFIEC updated median family income in 2012 was \$88,000 for Boston-Quincy, \$106,400 for Cambridge-Newton, and \$87,300 for Peabody. In 2013 the FFIEC updated median family income was \$88,000 for Boston-Quincy, \$101,000 for Cambridge-Newton, and \$83,500 for Peabody.

The Credit Union sometimes relies upon the income of only one borrower when making a credit decision on used auto loans. Therefore, comparing one member's income with the median family

income of the MD potentially inflates the levels of lending to low- and moderate-income borrowers as median family income typically includes the income of two individuals.

<b>Table 6</b> <b>Distribution of Used Auto Loans by Borrower Income Level</b>					
Borrower Income Level	% of Families by Income Level	2012		2013	
		#	%	#	%
Low	19.8	3	33.3	8	57.1
Moderate	17.5	2	22.2	2	14.3
Middle	23.8	2	22.2	3	21.4
Upper	38.9	2	22.2	1	7.2
<b>Total</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>

*Source: Credit Union consumer loan sample; 2010 U.S. Census Data*

In 2012, the Credit Union originated 33.3 percent of the consumer loan sample to low-income borrowers. In 2013 the Credit Union increased the proportion of the loan sample going to low-income borrowers at 57.1 percent.

The Credit Union originated 22.2 percent of consumer loan sample to moderate-income borrowers in 2012. In 2013, the Credit Union slightly decreased the proportion of loan sample going to moderate-income borrowers to 14.3 percent.

## Geographic Distribution

The geographic distribution of loans reflects reasonable penetration throughout the assessment area.

## Home Mortgage Loans

<b>Table 7</b> <b>Distribution of Home Mortgage Loans by Tract Income Level</b>							
Tract Income Level	% of Total Owner- Occupied Housing Units	2012 Aggregate Lending Data	2012 Credit Union		2013 Aggregate Lending Data	2013 Credit Union	
		(% of #)	#	(% of #)	(% of #)	#	%
Low	3.8	3.1	3	4.7	4.3	4	5.8
Moderate	22.7	18.6	11	17.2	21.9	27	39.1
Middle	50.9	52.4	37	57.8	50.2	25	36.2
Upper	22.6	25.9	13	20.3	23.6	13	18.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data; 2012 & 2013 HMDA data*

In 2012, River Works Credit Union originated 4.7 percent of loans to borrowers residing in low-income census tracts. This figure is above both the demographics and aggregate lending at 3.8 and 3.1 percent, respectively. Lending in low-income geographies during 2013 increased and continued to be above the aggregate lending.

River Works Credit Union made 17.2 percent of its loans to borrowers residing in moderate-income census tracts, falling slightly below the aggregate figure of 18.6 percent. In 2013, the Credit Union increased its lending to borrowers residing in moderate-income census tracts. The Bank originated 39.1 percent of its loans to borrowers residing in moderate-income census tracts, exceeding the demographics and aggregate lending figures.

### Consumer Loans

<b>Table 8</b> <b>Distribution of Used Auto Loans by Tract Income Level</b>					
Tract Income Level	% of Households	2012		2013	
		#	%	#	%
Low	8.2	1	11.1	6	42.8
Moderate	29.2	4	44.4	3	21.4
Middle	45.3	3	33.3	5	35.8
Upper	17.3	1	11.1	0	0.0
<b>Total</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>

*Source: Credit Union consumer loan sample; 2010 U.S.Census.*

In 2012, the Credit Union originated 11.1 percent of consumer loan sample to borrowers residing in low-income census tracts. In 2013, the Credit Union increased its lending to borrowers in low-income census tracts by originating 42.8 percent of the sample to borrowers in low-income tracts.

River Works Credit Union originated 44.4 percent of the loan sample to borrowers living in moderate-income census tracts in 2012. In 2013, the Credit Union originated 21.4 percent of the sample to borrowers residing in moderate-income tracts.

### **Response to CRA Complaints/ Fair Lending Policies and Practices**

The Credit Union did not receive any CRA-related complaints during the evaluation period.

The Credit Union tracks adverse actions and exceptions to loan policy monthly, and reviews the reports during Credit Committee meetings to ensure no fair lending issues arise. The Credit Union provides fair lending training to employees in lending departments, as well as at the Board

level. No indication of discriminatory or other illegal credit practices were identified during the evaluation.

## MINORITY APPLICATION FLOW

The Credit Union's residential lending in 2012 was compared with 2012 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants. Refer to the following table for information on the Credit Union's minority application flow as well as a comparison to aggregate lending data within the Credit Union's assessment area.

<b>Table 9</b>						
<b>Minority Application Flow</b>						
<b>RACE</b>	<b>Credit Union 2012</b>		<b>2012 Aggregate Data</b>	<b>Credit Union 2013</b>		<b>2013 Aggregate Data</b>
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.2	0	0.0	0.2
Asian	3	3.7	5.6	8	8.9	5.9
Black/ African American	4	4.9	1.5	0	0.0	2.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or more Minority Races	0	0.0	0.0	1	1.1	0.0
Joint Race (White/Minority)	1	1.2	1.4	1	1.1	1.5
<b>Total Minority</b>	<b>8</b>	<b>9.8</b>	<b>8.8</b>	<b>10</b>	<b>11.1</b>	<b>9.7</b>
White	71	86.6	67.1	73	81.1	67.0
Race Not Available	3	3.7	24.2	7	7.8	23.3
<b>Total</b>	<b>82</b>	<b>100.0</b>	<b>100.0</b>	<b>90</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	3	3.7	2.7	2	2.9	3.8
Not Hispanic or Latino	77	93.0	72.3	80	88.9	72.1
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.9	1	1.1	1.0
Ethnicity Not Available	2	2.4	24.1	7	7.8	23.1
<b>Total</b>	<b>82</b>	<b>100.0</b>	<b>100.0</b>	<b>90</b>	<b>100.0</b>	<b>100.0</b>

Source: 2012&2013 HMDA data; 2012 HMDA Aggregate Data

According to the 2010 U.S. Census Data, the Credit Union's assessment area contained a total population of 1,040,799 individuals, of which 27.4 percent are minorities. The assessment area's minority and ethnic population consists of 5.8 percent Black/ African American, 7.1 percent Asian/ Pacific Islander, 0.1 percent American Indian, 11.4 percent Hispanic, and 3.0 percent Other.

In 2012, the Credit Union received 82 HMDA reportable loan applications within its assessment area. Of these applications, 8 or 9.8 percent were received from minority applicants. Of those, 6 or 75.0 percent resulted in originations. The Credit Union ranked above the aggregate mark of 8.8 percent of applications received from minorities. In 2012 the Credit Union received 3 applications representing 3.7 percent of applications from the Hispanic or Latino ethnic group,

which resulted in 2 originations, or a 66.7 percent approval rate. This ranked above the aggregate mark of 2.7 percent of applications received from the Hispanic or Latino ethnic group. The Credit Union approved minority and Hispanic applicants at higher rates when compared to the aggregate lending figure. Overall, 59.1 percent of Hispanic applicants received loans and 72.8 percent of minority applicants received loans in 2012 within the assessment area.

In 2013, the Credit Union slightly increased its performance with regards to minority applicants (11.1 percent) and Hispanic applicants (4.0 percent).

The Credit Union's minority application flow, when compared to aggregate lending performance levels, area demographics, and area competition is adequate.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 947 Western Avenue, Lynn, Massachusetts 01905."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.